

CONTRACT FOR
TRANSFER OF FUNCTIONS AND RESPONSIBILITIES

FROM THE

STATE SCHOOL REFORM/REDESIGN DISTRICT
(a Michigan public school district)

TO THE

EDUCATION ACHIEVEMENT AUTHORITY
(a Michigan public body corporate and special authority)

The following recitals are made regarding this contract for the transfer of functions and responsibilities from the State School Reform/Redesign District (“Redesign District”) to the Education Achievement Authority (“Authority”):

The People of the State of Michigan mandate the encouragement of schools and the means of education and require the maintenance of a system of free public elementary and secondary schools through Sections 1 and 2 of Article VIII of the State Constitution of 1963.

The State of Michigan and its political subdivisions have been authorized by the People of the State of Michigan to enter into agreements for the performance, financing, and execution of governmental functions through Section 5 of Article III of the State Constitution of 1963.

The People of the State of Michigan, through Section 28 of Article VII of the State Constitution of 1963, have required the Michigan Legislature to authorize two or more counties, townships, cities, villages, or districts to, among other things: (1) enter into contracts, including with the State, for the joint administration of functions or powers; (2) share costs and responsibilities; (3) transfer functions or responsibilities; (4) cooperate; and (5) lend their credit in connection with any publicly owned undertaking.

The Michigan Legislature has implemented Section 5 of Article III of the State Constitution of 1963 and Section 28 of Article VII of the State Constitution of 1963 by enacting 1967 (Ex Sess) PA 8, MCL 124.531 to 124.536 (“Act”). Under the Act, two or more political subdivisions may enter into a contract with each other providing for the transfer of functions or responsibilities to one another or any combination thereof with the consent of each political subdivision involved.

The Redesign District and the Authority are both a “political subdivision” as that term is defined under the Act. The Redesign District seeks to transfer, and the Authority seeks to assume, functions and responsibilities of the Redesign District as a public school district to control and operate a system of public elementary and secondary schools and to deliver improved public educational services.

The Governor of the State of Michigan has delivered a special message to the Michigan Legislature under Section 17 of Article V of the State Constitution of 1963 indicating that one of Michigan’s most pressing responsibilities is ensuring that students are prepared to enter the work force and to take advantage of new opportunities as our economy grows. Because public schools must position children to compete globally in a knowledge-based economy, Michigan’s public education system must be reshaped so that students learn at high levels, think and act at high levels, demonstrate high performance, meet the highest expectations, and are fully prepared to enter the work force or attend college.

Because innovation, flexibility, transparency, and intergovernmental cooperation in the delivery of public educational services can maximize the encouragement of schools and the means of education, it is the intent of the Redesign District, at the request of the Governor, to utilize existing constitutional and statutory law to transfer the functions and responsibilities of the Redesign District to the Authority to accelerate reform and redesign and to establish a

statewide mechanism for providing improved public educational services more efficiently and effectively and in a transparent manner. Under this contract for the transfer of functions and responsibilities, the Redesign District and the Authority agree to transfer to the Authority the powers, duties, rights, obligations, functions, and responsibilities of the Redesign District to combine those powers, duties, rights, obligations, functions, and responsibilities with the existing powers, duties, rights, obligations, functions, responsibilities, authority, and resources possessed by the Authority.

Accordingly, the Redesign District and the Authority agree to the following terms and conditions:

ARTICLE I

DEFINITIONS

Section 1.01. As used in this interlocal agreement:

- (a). “Act” means 1967 (Ex Sess) PA 8, MCL 124.531 to 124.536.
- (b). “Authority” means the Education Achievement Authority, a separate legal entity, public body corporate, and special authority created pursuant to an interlocal agreement effective August 11, 2011 between the School District for the City of Detroit and the Board of Regents of Eastern Michigan University under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (c). “Chancellor” means the chief executive officer of the Authority.
- (d). “Contract” means this contract for the transfer of functions and responsibilities from the Redesign District to the Authority.
- (e). “Effective Date” means the effective date of this Contract under Section 3.01.
- (f). “Officer” means the State School Reform/Redesign Officer hired by the Superintendent of Public Instruction and possessing the authority to act as the superintendent of the Redesign District under Section 1280c of The Revised School Code, 1976 PA 451, MCL 380.1280c.
- (g). “Party” means a party to this Contract.
- (h). “Person” means an individual, authority, corporation, limited liability company, partnership, limited partnership, firm, organization, association, joint venture, trust, governmental entity, public agency, or other legal entity.
- (i). “Redesign District” means the State School Reform/Redesign District, a public school district, body corporate, and governmental agency established under Section 1280c of The Revised School Code, 1976 PA 451, MCL 380.1280c.
- (j). “School Intervention Model” means a school intervention model provided for the lowest achieving schools under the federal incentive grant program created under Sections 14005 and 14006 of Title XIV of the American Recovery and Reinvestment Act of 2009, Public Law 111-5, and known as the “Race to the Top” Grant Program.
- (k). “State” means the State of Michigan.
- (l). “Superintendent of Public Instruction” means the principal executive of the State Department of Education and staff advisor to the Governor appointed under Section 3 of Article VIII of the State Constitution of 1963.

Section 1.02. Captions and Headings. The captions, headings, and titles in this Contract are intended as a convenience and not intended to have any substantive meaning or be interpreted as part of this Contract.

Section 1.03. Plural Terms. A term or phrase in this Contract importing the singular number only may extend to and embrace the plural number and every term or phrase importing the plural number may be applied and limited to the singular number.

ARTICLE II

TRANSFERS TO THE AUTHORITY

Section 2.01. Description of District Transfers. The description or enumeration of a power, duty, right, obligation, function, or responsibility in this Contract shall not be construed as a limitation upon the power, duty, right, obligation, function, or responsibility. All of the powers, duties, rights, obligations, functions, and responsibilities of the Redesign District are transferred in their entirety to the Authority. The powers, duties, rights, obligations, functions, and responsibilities transferred from the Redesign District to the Authority under this Contract include, without limitation, all of the following:

- (a). The powers, duties, rights, obligations, functions, and responsibilities of the Redesign District under Section 1280c of The Revised School Code, 1976 PA 451, MCL 380.1280c.
- (b). Functioning as a public school district for purposes of Section 11 of Article IX of the State Constitution of 1963.
- (c). Receiving state school aid under The State School Aid Act of 1979, 1979 PA 94, MCL 388.1601 to 388.1896, or any successor statute.
- (d). Accepting a public school placed in the Redesign District by the Officer under Subsection 1280c(6) of The Revised School Code, 1976 PA 451, MCL 380.1280c(6).
- (e). Any other power, duty, right, obligation, function, or responsibility of the Redesign District under Section 1280c of The Revised School Code, 1976 PA 451, MCL 380.1280c, or other laws, including, but not limited to, a power, duty, right, obligation, function, or responsibility vested in the Redesign District after the Effective Date.

Section 2.02. Description of Related Transfers. In addition to the powers, duties, rights, obligations, functions, and responsibilities described in Section 5.01, the following powers, duties, rights, obligations, functions, and responsibilities of the Officer relating to the Redesign District are transferred to, and shall be administered by, the Chancellor:

- (a). Imposing for a public school transferred to the Redesign District a School Intervention Model described in Subsection 1280c(2) of The Revised School Code, 1976 PA 451, MCL 380.1280c(2).
- (b). Imposing an addendum to each collective bargaining agreement in effect for a public school transferred to the Redesign District as necessary to implement the School Intervention Model meeting the requirements of Subsection 1280c(8) of The Revised School Code, 1976 PA 451, MCL 380.1280c(8).
- (c). Acting as the superintendent of the Redesign District.
- (d). Exercising with respect to a public school placed in the Redesign District the powers of the Officer under Section 1280c of The Revised School Code, 1976 PA 451, MCL

380.1280c. All of the provisions of The Revised School Code, 1976 PA 451, MCL 380.1 to 380.1853, that would otherwise apply to the school board that previously operated a public school placed in the Redesign District apply to the Chancellor with respect to the public school, except those relating to taxing or borrowing. Except as otherwise provided for the Officer in Section 1280c of The Revised School Code, 1976 PA 451, MCL 380.1280c, the Chancellor may exercise all the powers and duties otherwise vested in the school board that previously operated a public school placed in the Redesign District, and officers for the public school, except those relating to taxation or borrowing. Except as otherwise provided for the Officer in Section 1280c of The Revised School Code, 1976 PA 451, MCL 380.1280c, the Chancellor shall accede to all the rights, duties, and obligations of a school board that previously operated a public school placed in the Redesign District, including, but not limited to, all of the following powers, rights, duties, and obligations:

(i). Authority over the expenditure of all funds attributable to pupils at a public school placed in the Redesign District, including that portion of proceeds from bonded indebtedness and other funds dedicated to capital projects that would otherwise be apportioned to the public school by the school board that previously operated the public school according to the terms of the bond issue or financing documents.

(ii). Subject to Subsection 1280c(8) of The Revised School Code, 1976 PA 451, MCL 380.1280(c)(8), rights and obligations under collective bargaining agreements and employment contracts entered into by the school board for employees at a public school placed in the Redesign District.

(iii). Rights to prosecute and defend litigation.

(iv). Rights and obligations under statute, rule, and common law.

(v). Authority to delegate any of the Chancellor's powers and duties to 1 or more designees within the Authority, with proper supervision by the Chancellor.

(vi). Power to terminate any contract or portion of a contract entered into by the school board that applies to a public school placed in the Redesign District. However, this subparagraph does not allow any termination or diminishment of obligations to pay debt service on legally authorized bonds and does not allow a collective bargaining agreement to be affected except as provided under Subsection 1280c(8) of The Revised School Code, 1976 PA 451, MCL 380.1280(c)(8). A contract terminated by the Chancellor under this subparagraph is void.

(e). Entering into an agreement with an educational management organization to manage or operate a public school or schools placed in the Redesign District if the restart School Improvement Model is imposed for the public school or schools. The Chancellor shall provide appropriate oversight to ensure that the public school or schools will be operated according to the restart School Improvement Model.

(f). Determining that a public school placed in the Redesign District has made significant improvement in pupil achievement and should be released from placement in the Redesign District.

(g). Recommending to the Superintendent of Public Instruction that a public school should be released from placement in the Redesign District.

(h). Functioning as a public school employer for of any public school employees of a public school placed in the Redesign District for purposes of collective bargaining under Section 15 of 1947 PA 336, MCL 423.215.

(i). Any other power, duty, right, obligation, function, or responsibility of the Officer relating to the Redesign District under Section 1280c of The Revised School Code, 1976 PA 451, MCL 380.1280c, or other laws, including, but not limited to, a power, duty, right, obligation, function, or responsibility vested in the Officer after the Effective Date.

ARTICLE III

EFFECTIVE DATE

Section 3.01. Effective Date. The effective date of this Contract is the later of October 1, 2011, or the date on which all of the following are satisfied:

- (a). The Contract is approved, entered into, and executed by the Officer.
- (b). The Contract is approved and entered into by the executive committee of the Authority and executed by the Officer.
- (c). The Contract is filed with the Secretary of State of the State.

ARTICLE IV

TERM OF OPERATION

Section 4.01. Term. This Contract shall commence on the Effective Date and continue for an initial term of 15 years. After the initial term, the Contract is extended in 5-year increments unless not extended by joint action of the Redesign District and the Authority.

Section 4.02. Termination by the Redesign District. The Contract may be terminated by the Redesign District by providing written notice to the Authority at its principal place of business not less than 1 year before the date of termination by the Redesign District.

Section 4.03. Termination by the Authority. The Contract may be terminated by the Authority by providing written notice to the Officer not less than 1 year before the date of termination by the Redesign District.

Section 4.04. Disposition upon Termination. As soon as possible after termination of this Contract, the Authority shall wind up its affairs under this Contract and title to all property and assets held by the Authority as a result of this Contract shall be distributed by the Authority to the Redesign District.

ARTICLE V

AFFECTED EMPLOYEES

Section 5.01. Employee Transfer or Reassignment. If the Chancellor determines that a state employee employed by the Michigan Department of Education is necessary for the continued operation of functions or responsibilities under Section 1280c of The Revised School Code, 1976 PA 451, MCL 380.1280c, the Chancellor may enter into an employee transfer agreement with the Officer providing for the transfer of the employee to the Authority. Any transfer under this section shall comply with any applicable requirements for the transfer or reassignment of an employee under Section 4 of the Act. This section does not apply to an employee of a public school placed in the Redesign District under Section 1280c of the Revised School Code, 1976 PA 451, MCL 380.1280c.

ARTICLE VI

PROPERTY

Section 6.01. Transfer of Property. Any real property, facilities, equipment, or other personal property held by the Redesign District on the Effective Date is transferred to the Authority as of the Effective Date. If a public school is placed in the Redesign District under Section 1280c of The Revised School Code, 1976 PA 451, MCL 380.1280c, before, on, or after the Effective Date, the public school shall be deemed to be placed in the Authority as of the later of the Effective Date or the date on which the public school is placed in the Redesign District and any and all rights of the Redesign District relating to real property, facilities, equipment, or other personal property of a public school placed in the Redesign District shall be transferred to the Authority.

ARTICLE VII

FINANCING

Section 7.01. Revenue. To the same extent as the Redesign District, the Authority may receive, account for, invest, or expend money; borrow money and pledge money for repayment; and qualify for state school aid and other public or private money from local, regional, State, or federal sources, including, but not limited to, money appropriated under The State School Aid Act of 1979, 1979 PA 94, MCL 388.1601 to 388.1896, or any successor statute.

Section 7.02. Eligibility for Aid. To the same extent as the Redesign District, the Authority shall maintain eligibility for all applicable State categorical and federal aid. The Authority may make claims for federal or state aid otherwise payable to the Redesign District or a public school placed in the Redesign District and transferred to the Authority under this Agreement.

Section 7.03. State School Aid. All State school aid and State school funding otherwise payable to the Redesign District or a public school placed in the Redesign District and transferred to the Authority under this Agreement shall immediately be transferred to the Authority.

Section 7.04. Gifts and Grants. The Authority may accept from any Person, public or private, gifts, grants, assistance funds, or bequests on behalf of the Authority, the Redesign District, or a public school placed in the Redesign District. Gifts, grants, assistance funds, or bequests, accepted by the Authority shall become the property of the Authority upon acceptance, except as otherwise agreed by the Authority and the grantor. The Authority may apply for and accept grants, loans, or contributions from any source otherwise available to the Redesign District or a public school placed in the Redesign District. The Authority may do anything within its power to secure the grants, loans, or other contributions on behalf of the Authority, the Redesign District, or a public school placed in the Redesign District, including, but not limited to, maintaining separate segregated funds for gifts, grants, assistance funds, or bequests.

Section 7.05. State Appropriated Funds. On the Effective Date, the Redesign District shall transfer to the Authority the estimated available balance of all State appropriated funds and related obligations for goods and services associated with the operations of the Redesign District, if any, as of the Effective Date. For the State fiscal year beginning October 1, 2011, and each subsequent State fiscal year, the Redesign District shall transfer to the Authority any available State appropriated funds of the Redesign District.

Section 7.06. Other Revenue. On and after the Effective Date, the Redesign District shall transfer to the Authority all new or other revenue that from time to time may be received by the Redesign District, including any investment income on the revenue. The transfer shall be made within 10 business days of the receipt of the revenue.

ARTICLE VIII

OTHER LEGAL, FINANCIAL, AND ADMINISTRATIVE ARRANGEMENTS

Section 8.01. Due Execution of this Contract. The Redesign District and the Authority each shall execute not less than 4 copies of this Contract, each of which, taken together, is an original but all of which constitute 1 agreement.

Section 8.02. Amendment. This Contract may be amended or an alternative form of this Contract adopted only upon written agreement of all Parties.

Section 8.03. Execution of Documents. The Redesign District and the Authority shall cooperate in order to execute and deliver to the Authority any and all documents necessary or appropriate to effectuate this Contract, including, but not limited to, agreements, bills of sale, deeds, assignments, receipts, or certificates.

Section 8.04. Public School Functions. The powers, duties, rights, obligations, functions, and responsibilities transferred to the Authority under this Contract are intended to encourage the means of education and be governmental and public school functions within the system of free public elementary and secondary schools maintained and supported by the State Legislature. A school operated by the Authority is a public school under, and shall comply with, Section 2 of Article VIII of the State Constitution of 1963.

Section 8.05. Non-Discrimination. With respect to any powers, duties, rights, obligations, functions, and responsibilities transferred to the Authority under this Contract, the Authority shall provide for the education of pupils without discrimination as to religion, creed, race, color, sex, or national origin as mandated by Section 2 of Article VIII of the State Constitution of 1963. The Authority also shall comply with the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101 to 37.2804, the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101 to 37.1607, Title IX of the Education Amendments of 1972, and other applicable civil rights laws..

Section 8.06. Public Purpose and Governmental Function. As both the Redesign District and the Authority are bodies corporate and governmental agencies, the powers, duties, rights, obligations, functions, and responsibilities transferred to the Authority under this Contract constitute essential public purposes and governmental functions.

Section 8.07. State Board of Education. Nothing in this Contract shall be construed to diminish or restrict the constitutional authority of the State Board of Education under Section 3 of Article VIII of the State Constitution of 1963.

Section 8.08. Transparency. The powers, duties, rights, obligations, functions, and responsibilities transferred under this Contract shall be administered by the Authority in a transparent and open manner that encourages public oversight, civic participation, and citizen engagement. The Authority shall adopt policies and procedures consistent with each of the following transparency principles:

- (a). On-line, on-time, and free public access shall be a priority for the conduct of Authority business, except when specifically prohibited by applicable law.
- (b). Dissemination of information regarding the activities and operations of the Authority should be (i) posted on-line promptly in a contemporaneous manner; (ii) complete and accurate, (iii) searchable and manipulable; and (iv) permanently preserved and accessible, except where specifically prohibited by applicable law.
- (c). Information pertaining to influence, potential corruption, and oversight should take special public priority over other types of information.
- (d). Public records pertaining to governmental oversight should be centrally available, including, but not limited to, reports from auditors or government-sponsored investigations, planning and strategic vision documents, budgets, performance data, and academic plans.
- (e). Use of the Internet, social media, performance dashboards, and other digital communications technology should be integrated into the operations of the Authority and be a basic method used in pursuing the goals and objectives of the Authority.

Section 8.09. Legislative Oversight. Nothing in this Contract shall be construed to diminish or restrict the constitutional authority of the State Legislature to maintain and support a system of free public elementary and secondary schools as defined by law under Section 2 of Article VIII of the State Constitution of 1963 or to exercise the legislative power of the State vested in the State Senate and the State House of Representatives under Section 1 of Article IV of the State Constitution of 1963. The powers, duties, rights, obligations, functions, and responsibilities transferred to the Authority under this Contract remain subject to oversight hearings regarding the activities of the Authority under this Contract conducted by a duly constituted and authorized legislative committee and, if requested, an officer of the Authority shall attend the oversight hearing and provide live testimony at the oversight hearing without a subpoena.

Section 8.10. Notices. Any and all correspondence or notices required, permitted, or provided for under this Contract to be delivered to any Party shall be sent to that Party by first class mail. All such written notices shall be sent to each other Party's signatory to this Contract. All correspondence shall be considered delivered to a Party as of the date that the notice is deposited with sufficient postage with the United States Postal Service. A notice of withdrawal shall be sent via certified mail to the address included with each Party's signature to this Contract.

Section 8.11. Acts and Omissions. Except as otherwise provided in this Article, it is the intent of the Parties that liability for acts or omissions of a Party prior to the Effective Date shall remain with a Party and not be transferred, assigned, or assumed by the Authority. The Authority shall only be liable for its own acts or omissions that occur after the Effective Date and the Redesign District shall not be liable for any acts or omissions of the Authority.

Section 8.12. Governing Law. This Contract is made and entered into in this State and shall in all respects be interpreted, enforced, and governed under State law without regard to the doctrines of conflict of laws. The language of all parts of this Contract shall in all cases be construed as a whole according to its fair meaning and not construed strictly for or against any Party.

Section 8.13. Jurisdiction and Venue. In the event of any disputes between the Parties over the meaning, interpretation, or implementation of the terms, covenants, or conditions of this Contract, the matter under dispute, unless resolved between the Parties, shall be submitted to the courts of this State.

Section 8.14. Entire Contract. This Contract sets forth the entire agreement between the Parties and supersedes any and all prior agreements or understandings between them in any way related to the subject matter of this Contract. It is further understood and agreed that the terms and conditions of this Contract are contractual and are not a mere recital and that there are no other agreements, understandings, contracts, or representations between the Parties in any way related to the subject matter of this Contract, except as expressly stated in this Contract.

Section 8.15. Severability of Provisions. If any provision of this Contract, or its application to any Person, Party, or circumstance, is invalid or unenforceable, the remainder of this Contract and the application of that provision to other Persons or circumstances and to the remaining Parties is not affected but will be enforced to the extent permitted by law, it being the intent of the Parties to continue to agree to the substantive provisions of this Contract and to implement the Contract.

This Contract is executed by the Parties on the dates indicated below.

**STATE SCHOOL REFORM/REDESIGN
DISTRICT,**

a Michigan school district, body corporate, and
governmental agency

Dated: _____

By: _____

Deborah Clemmons,
State School Reform/Redesign Officer

Address: Michigan Department of Education
608 W. Allegan St.
P.O. Box 30008
Lansing, MI 48909

EDUCATION ACHIEVEMENT AUTHORITY,
a Michigan public body corporate and special authority

Dated: _____

By: _____

John William Covington,
Chancellor

Address: 3011 W. Grand Blvd., 14th Floor
Detroit, MI 48202